

UI OPERATIONAL PERFORMANCE

.....

Quarter Ending December 31, 2001

UI OPERATIONAL PERFORMANCE

Quarter Ending December 31, 2001

Introduction

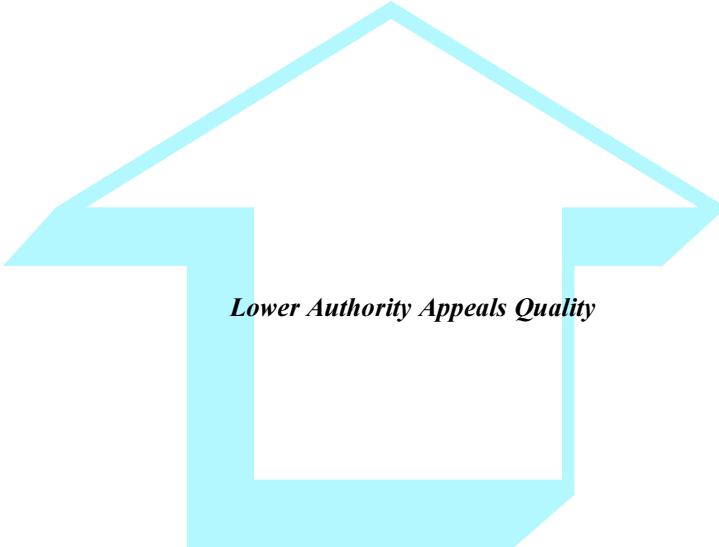
- This is the eighteenth in a series of quarterly reports designed to give a broad overview of UI operational performance and its basic context. Where available, data shown are for the quarter, or for the 12-month period, ending December 31, 2001. Readers will note that in Charts I and II, we have replaced “previous quarter” by the report quarter a year before, so that comparisons are not marred by the high degree of seasonality that characterizes most UI and other labor market data. Because the Tier I measures now include the GPRA measures and these measures are available on the OWS web site, this report no longer contains the performance data by State/Region.
- This report includes a Special Focus analyses: “A Quick View of Some Aspects of Unemployment Insurance and the Labor Market”.
- Users are encouraged to offer comments to the Division of Performance Management on the content, format and displays of the report. Please send comments to Burman Skrable on (202) 693-3197.

Macro Scene

- ***For the quarter***, all Chart I indicators reflected the deepening recession. Compared with the fourth quarter of 2000, overall unemployment indicators are up about 40 percent, but the UI indicators are up about 60%. For example, first payments at 2.8 million were up 56%, continued claims 45% to 2.9 million, and first payments 38% to 2.2 million. Benefit payments nearly doubled, from \$8.9 billion from \$4.6 billion. Tax collections alone were about the same, at \$2.9 billion.
- ***For the year***, 1-year values are similarly above 3-year averages, the largest differences being benefit payments (\$30.4 billion vs. \$23.2 billion, or 31% higher), and continued claims (at 3.0 million, 20% higher than the 3-year average). On the other hand, the exhaustion rate is at its 3-year average and average benefit duration slightly below its average. This is because deteriorating economic conditions first drive up initial claims and first payments, then continued weeks claimed and paid and, eventually, final payments. First payments are the denominator in both the average duration and exhaustion rate and their run-up initially depresses both ratios.

Movement in the Aggregate Performance on GPRA/TIER I Measures

change from year ending 9/30/01 to year ending 12/31/01



Lower Authority Appeals Quality




35 Days Interstate First Payment Timeliness




14/21 Days Intrastate First Payment Timeliness
35 Days Intrastate First Payment Timeliness
14/21 Days Interstate First Payment Timeliness
Nonmonetary Determinations NonSep Timeliness
Nonmonetary Determinations Separation Timeliness
Nonmonetary Determinations Quality
Lower Authority Appeals Timeliness, 30 days
Lower Authority Appeals Timeliness, 45 Days
Lower Authority Appeals Timeliness, 90 Days
Higher Authority Appeals Timeliness, 45 days
Higher Authority Appeals Timeliness, 75 Days
Higher Authority Appeals Timeliness, 150 Days
New Status Determination Timeliness, 90 Days
New Status Determination Timeliness, 180 Days

Movement in the Number of States Passing GPRA/TIER I Measures

change from year ending 9/30/01 to year ending 12/31/01



*Nonmonetary Determinations NonSep Timeliness
Lower Authority Appeals Timeliness, 45 Days*



*14/21 Days Interstate First Payment Timeliness
35 Days Interstate First Payment Timeliness
Lower Authority Appeals Timeliness, 30 days
Lower Authority Appeals Timeliness, 90 Days
Higher Authority Appeals Timeliness, 45 days
Higher Authority Appeals Timeliness, 75 Days
New Status Determination Timeliness, 180 Days*



*Nonmonetary Determinations Separation Timeliness
Nonmonetary Determinations Quality
Lower Authority Appeals Quality
Higher Authority Appeals Timeliness, 150 Days
New Status Determination Timeliness, 90 Days
Transfer from Clearing Account
14/21 Days Intrastate First Payment Timeliness
35 Days Intrastate First Payment Timeliness*

UI System Performance

GPRA

As indicated by one of last report's Special Focus items, ETA changed its GPRA goals and indicators early in the report quarter. It will use the same set of goals and indicators for its plans at both the Departmental and agency level (for FY 2001, it had eleven agency indicators, of which two were used in the Departmental plans.) The four goals relate to (1) Payment Timeliness, (2) Payment Accuracy; (3) Reemployment of UI Claimants; and (4) Establishment of UI Tax Accounts. Measures have been developed and data are available for goals (1) and (4); the others will be developed this fiscal year. The measure for payment accuracy is the aggregate percent of intrastate first payments made within 14/21 days; the performance target for both FY 2002 and FY 2003 is 91%. The measure for goal (4) is the aggregate percent of new status determinations issued within 90 days of the end of the quarter in which liability occurred; its target, for both FY 2002 and FY 2003, is 80%. ETA changed their focus from the number of states attaining a criterion to providing a specified level of service to all customers.

➡ For the 12 months ending December 31, 2001,

- The system made 89.7% of intrastate first payments within 14/21 days, down 0.6 points from September 30;
- The system made 78.5% of new status determinations within 90 days, down from 79.3% at the end of September.

Tier I Performance

In this version of the report, and all subsequent versions, we will examine performance by using the last 12 months (or four quarters) worth of data instead of just the last quarter's worth. The longer time frame gives a much more accurate picture of true progress or regress by eliminating the strong seasonal component we find in most performance indicators. This is how data are reported on the GPRA Tracking Report.

Because the Notice of Proposed Rulemaking for the UI PERFORMS regulation is unlikely to be published before the end of this fiscal year, we have deferred using alternatives to the measures now embodied in existing regulations. Thus, we focus on Intrastate and Interstate 1st Payment Timelapse for full weeks of unemployment instead of the Combined Measure, and will not use the 90-day measure for Lower Authority Appeals Time Lapse. As planned, however, we will only measure timeliness of transfer to the trust fund by the new ratio measure instead of the Days Worth of Funds on Deposit measure.

In brief, the accompanying arrows indicate that aggregate values fell all but two of the Tier I indicators. Intrastate payments in 35 days were the same, and Lower Authority Appeals Quality rose. However, the picture in terms of numbers of states meeting the criteria is quite different: Only seven indicators showed declines, eight were flat, and two rose. This indicates that smaller states disproportionately maintained or improved performance, and that performance declines were concentrated among larger states.

- Areas where greatest number of States achieve criteria: At least 90% of all States made criteria: for Inter and Intra First payments within 35-days; Lower Authority Appeals quality; Higher Authority appeals timeliness (75- and 150-day levels); and status determinations timeliness.
- Weakest areas: at least 19 states missed criteria for Lower Authority appeals 30 day, and for Nonmon timeliness and quality (lowest performance: nonsep time lapse; 40 of 53 states missed the criterion).
- In the Middle: 14/21-day first payments; timeliness of trust fund transfer; Lower Authority appeals timeliness (45-day). Lower Authority Appeals timeliness at all levels has dropped sharply over the past year: 47 states met the 30-day criterion for FY 2000; this had fallen to 34 for FY and CY 2001.
- 1st Payment Timeliness— Workloads continued to rise with the cyclical downturn and the impact of 9/11, reducing aggregate 1st-payment timelapse for both intrastate and interstate benefits at the 14/21 day level by about 0.7 percentage points, although the number of states meeting the criteria was unchanged. Aggregate performance at the 35-day level was little affected.
- Nonmonetary Determinations—This area remains the weakest. Aggregate time lapse performance slipped for the quarter but quality was unchanged relative to the same quarter last year. Only a third of states meet the separation criterion and a quarter the non-separation criterion. The aggregate timeliness figure for sep and nonsep timeliness are both below their 3-year averages. Quality has improved marginally: 71.2% of cases had satisfactory scores for CY 2001, versus a 3-year average of 70.9%.
- Lower Authority Appeals—All aggregate timeliness indicators fell sharply over the past quarter and past year, as noted above. 30-day timeliness for the current quarter was 49%, versus 64% a year ago. Quality, however, is up marginally. The reasons for the crash in timeliness need study; regression analysis relating time lapse to appeals workload seems to indicate that workload rises had only a minor effect.
- Higher Authority Appeals—Although aggregate timeliness performance and the number of states meeting the 45- and 75-day criteria slipped slightly, this remains one of the system's strongest areas of performance.
- Status Determinations Timeliness—Aggregate time lapse at both 90 days and 180 days fell slightly from the year ending 9/30/01. The number of States meeting the 90-day criterion was flat at 48 (two of them non-reporters) while those meeting the 180-day criterion retreated to 47 from 48. This is another strong area of performance and it will get increasing scrutiny because the 90-day indicator is a key GPRA indicator for FY 2002 and beyond.
- Transfer Timeliness—Aggregate performance declined slightly (the ratio edged up from 2.00 to 2.04) while the number of states meeting the 1.75 criterion rose by three.

Other Important Measures

The other indicators had a mixed pattern of change from September to December.

- % of Continued Claims paid within 21 days slipped slightly to 92.8% within 21 days. For the year, the best State was at 99.5%, the lowest at 66.1%.
- BAM overpayment rate dropped from 8.9% to 7% (a rise in layoffs often means an increasing share of “clean” claims).
- Workforce development measures were mixed. Relative to the same quarter in 2000, BAM data showed about a 2% drop in the % of claimants receiving referrals from the ES, increases in the share of claimants were profiled (to 40%) and of those profiled were pooled (to 44%), but a drop of those pooled who were referred to services from 33% to 26%. About 5% of claimants were in training in both periods.
- BPC recovery rate for Nonfraud overpayments fell from 56% to 50%, while the Fraud rate was stable at about 51%).
- Tax measures: The % of contributions on time slid from 87.2% during last year’s fourth quarter to 86.4% for this year, but the percent of reports received timely was substantially higher, 87.7% vs. 83%. Comparing the one-year and three-year averages shows that that timeliness of both dollar payments and report filing is up. The other key measures were largely unchanged: Accounts receivable were about 3.1% of contributions due, audit penetration was steady at 1.9%, the percent of wages change resulting from audit up slightly to 4.6% from 4.2%, and the percent of wages audited at 1.1%.

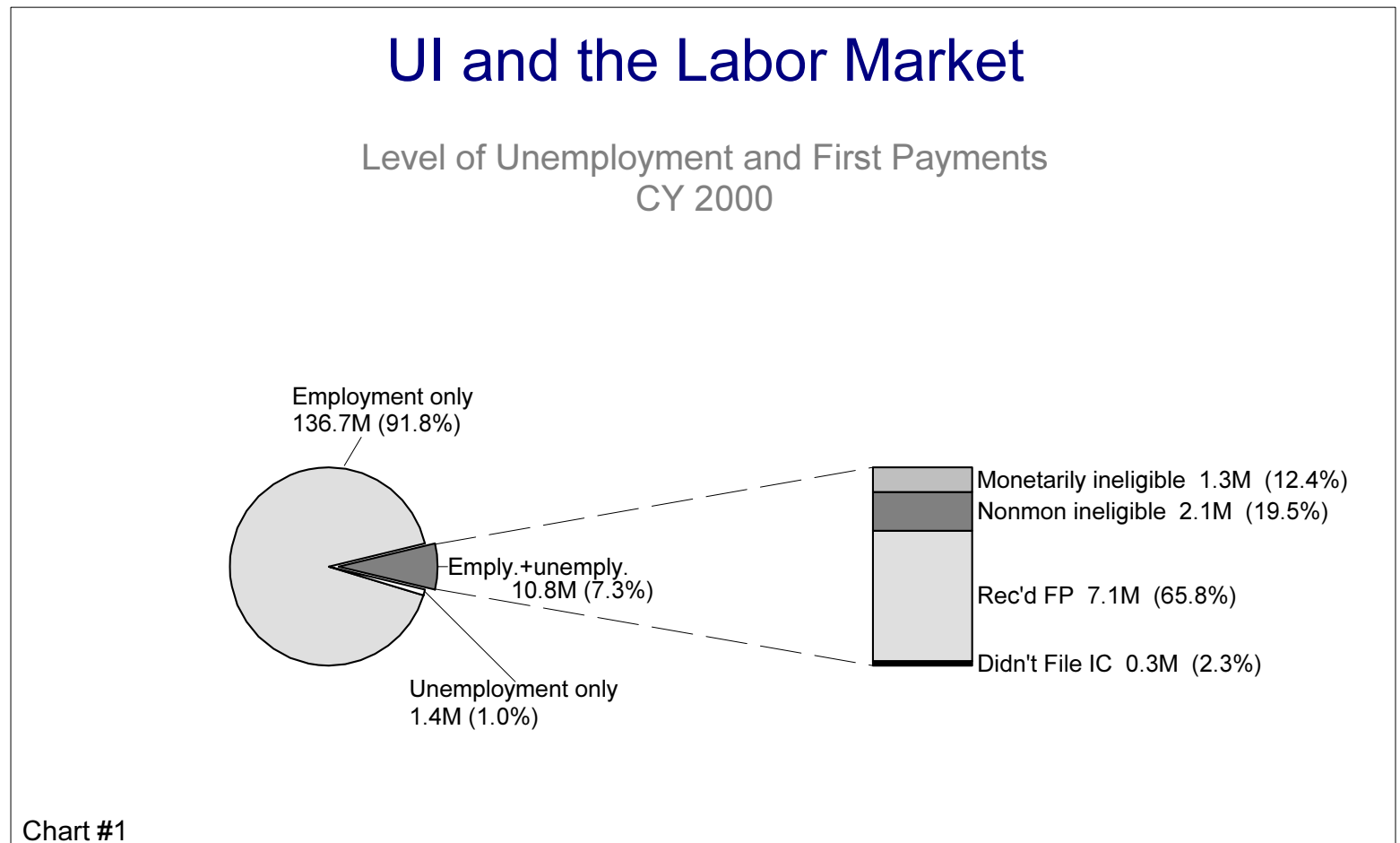
A Quick View of Some Aspects of Unemployment Insurance and the Labor Market

Regularly published statistics from OWS document that during CY 2000, the UI recipiency rate was 38% and that 8.5% of UI dollars paid were overpaid. The following charts briefly illustrate these and other statistics and show their makeup.

UI and the Labor Market

From its March 2001 survey, Work Experience of the Population, the BLS tells us that in CY 2000 nearly 150 million persons were in the U.S. labor force, i.e., worked or looked for work. Of these, 137 million worked with no unemployment and 1.4 million were unemployed and looking for work.

The remaining 10.8 million had some work and some unemployment. Of this group, about 10.5 million filed a new initial claim for unemployment benefits, and 66% of them eventually received a first payment. About 300,000 did not file a new initial claim for benefits. (Chart 1).



During the year, the average recipient claimed 15.6 weeks of unemployment and was paid for 13.7 weeks. That average of 13.7 weeks of payments conceals two very different sets of experience, however. The 31% of claimants who exhausted their entitlement received an average of nearly 23 weeks of benefits; those who did not, received fewer than 10 weeks. (Chart 2)

UI and the Labor Market

Level of First Payments and Exhaustion
CY 2000

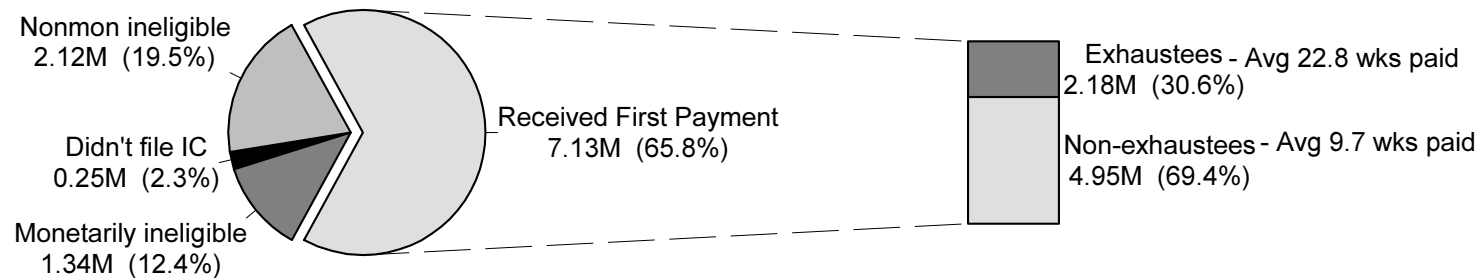
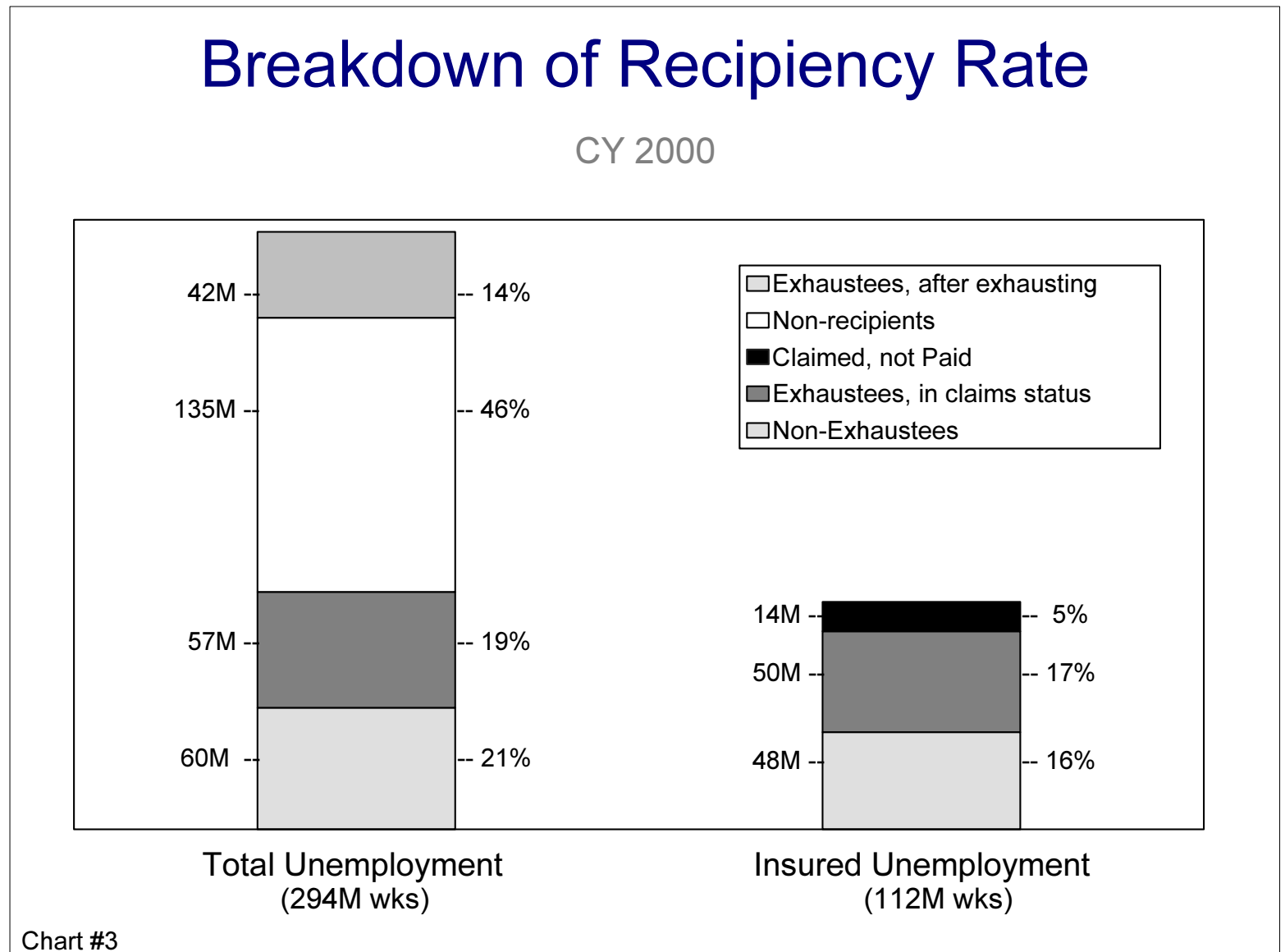


Chart #2

The reciprocity rate was 38%. This is the ratio of 112 million weeks of unemployment claimed by 7.1 million persons who received a first payment, to 294 million weeks of unemployment experienced by 12.2 million persons—claimants and others—with some unemployment during the year. (Chart 3)

- The numerator of the ratio was divided roughly equally by weeks claimed by the 69% who did not exhaust benefits and the 31% who did.
- Of the weeks of total unemployment constituting the denominator
 - o Non-recipients experienced nearly half;
 - o Benefit exhaustees accounted for 33%, most of it while in claims status;
 - o UI recipients who did not exhaust benefits accounted for 21%.



UI Overpayments and Where They Occur

During CY 2000, the BAM program concluded that 8.5% of benefit payments were overpaid, or \$1.8 billion out of \$20.2 billion. Chart 4 shows that about 21% of these overpayments occurred through errors at the new initial claim level. BAM investigators determined that about 1% of benefits were overpaid because the agency incorrectly allowed payment for reasons related to separation from work and 0.8% of benefits based on wages incorrectly reported by employers.

The remaining eighty percent of overpayments occurred during the continuing eligibility phase, in conjunction with the average 13.7 weeks paid per recipient, and involved the agency's failure to detect or disqualify individuals who:

- Had Benefit year earnings violations--excessive unreported earnings during weeks the claimant collected benefits--the largest single component, 2.9% of benefits paid;
 - o The BAM methodology is believed to produce an underestimate of these overpayments
- Failed to comply with the State's Work Search requirements, about 1.3% of benefits;
- Were not involuntarily separated from work before they filed additional initial claims;
- Did not meet State requirements to be able to work or available for work; or
- Were not registered with the Job Service or One Stop (each of the last three, about 0.5% of benefits paid.)

Sources of Overpayment Errors in the UI Claims Process

CY 2000 BAM Data

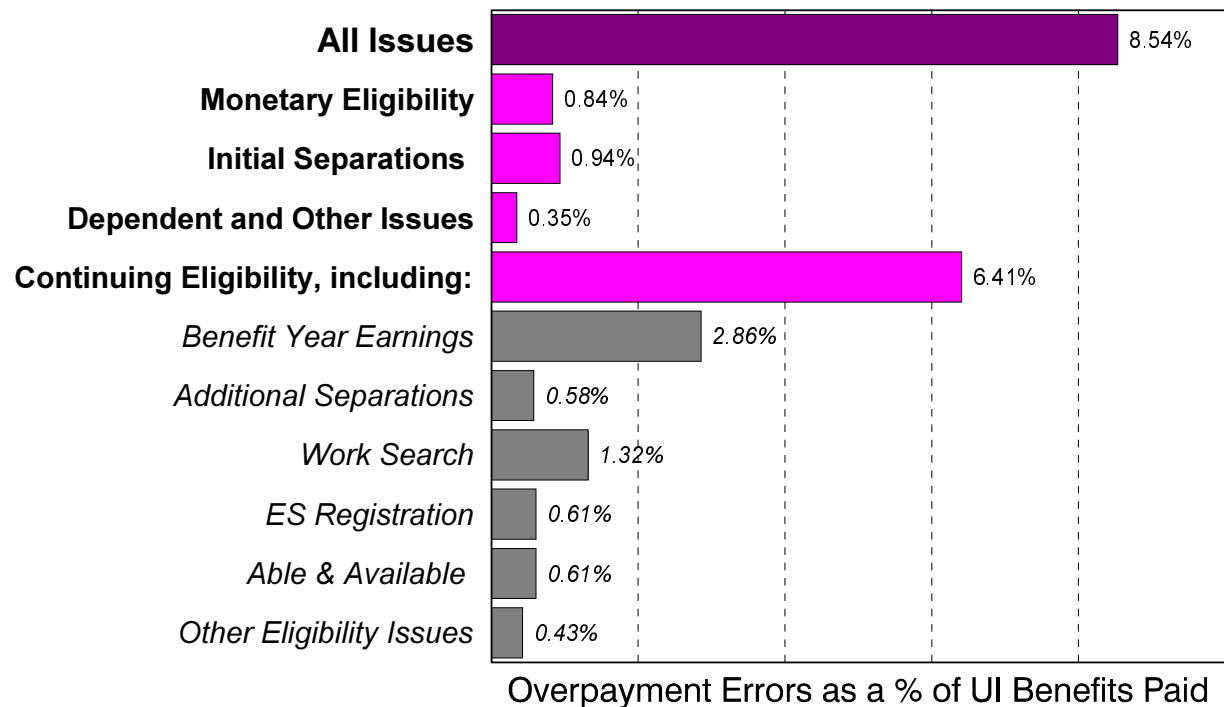


Chart #4

UI Overpayments: What We Can Detect, What We Can Recover

In FY 2001, BAM estimated that about \$2.3 billion was overpaid out of \$27 billion paid (Chart 5). Of the dollars overpaid, BAM estimated that:

- State agency claims administration procedures could have detected—and thus prevented-- about \$618 million, or 27%.
- According to State laws, about \$1.8 billion, or 79%, was potentially recoverable.
 - o Agency front-end procedures could have detected/prevented only 19% of these overpayments, or about \$338 million.
 - o \$484 million was non-recoverable.
 - § Agency claims administration procedures could have detected about \$280 million, or 58%, of this.
- Agency Benefit Payment Control units use different, more effective methods to detect overpayments that have already occurred and establish them for recovery than what they can use in the payment process to detect and prevent errors.
 - o These methods were most likely to have been able to detect about \$1.2 billion of the \$1.8 billion in recoverable overpayments.
 - § Most detectable overpayments were Benefit Year Earnings violations (through various cross-matches) and separation violations.

Estimated Dollars Overpaid by Detectability and Recoverability FY 2001

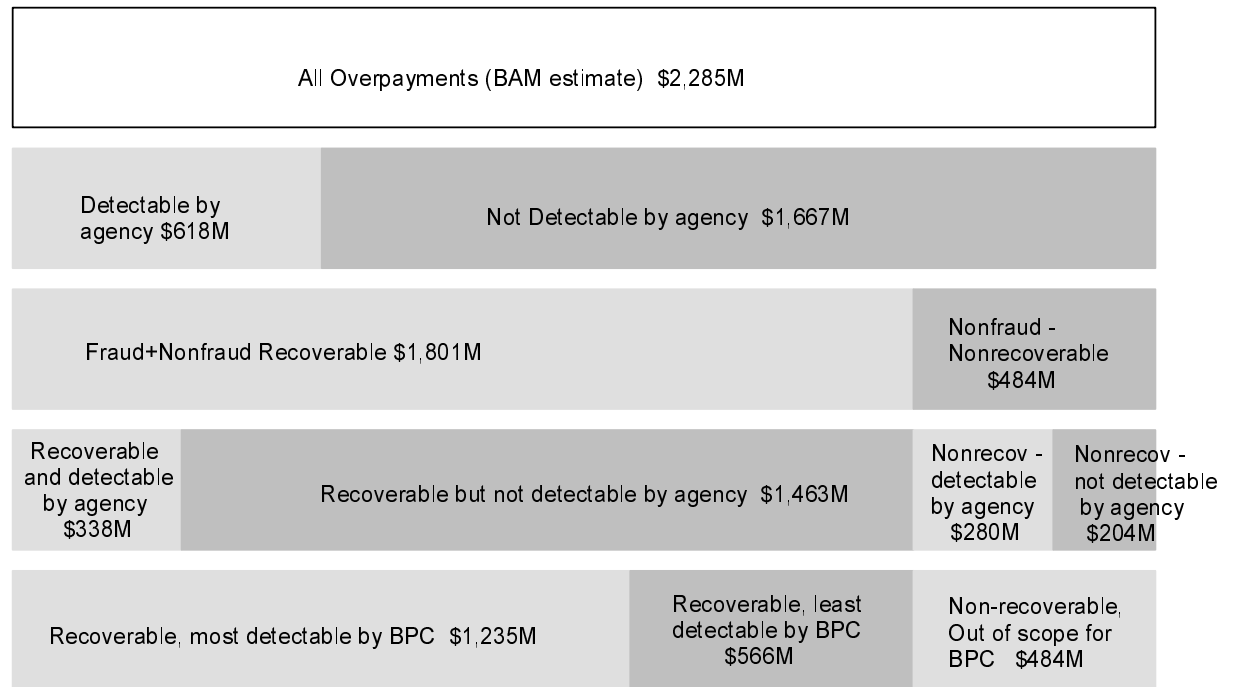


Chart #5

UI QUARTERLY MANAGEMENT REPORT

CHART I

Report Period: October 1, 2001 to December 31, 2001

Rundate: March 18, 2001

	NATIONAL AGGREGATE				STATE PERFORMANCE					
	3-Yr	1-Yr	Qtr Prev Yr	Curr Qtr	1-Yr		Qtr Previous Year		Current Quarter	
					High	Low	High	Low	High	Low
MACRO INDICATORS										
Net UI Contributions (3-yr. is annual avg.)	19.6B	19.7B	3.0B	2.9B	2.7B%	6.9M%	0.4M	1.3M	0.4B	0.8M
Net UI Benefits (3-yr. is annual avg.)	23.2B	30.4B	4.6B	8.9B	3.2B%	5.0M%	.05M	0.7M	1.0B	1.7M
TUR (unadjusted)	4.3%	4.8%	3.7%	5.2%	10.9%	2.8%	9.3%	1.7%	11.2%	2.6%
IUR (unadjusted)	2.0%	2.3%	1.6%	2.6%	5.5%	0.9%	4.9%	0.4%	5.4%	0.9%
Total Unemployment Level (weekly, unadjusted)	6.1M	6.7M	5.2M	7.4M	1.0M	8,687	0.8M	7,926	1.0M	8,070
Insured Unemployment Level (weekly, unadjusted)	2.5M	3.0M	2.1M	3.4M	0.5M	2,883	0.3M	2,090	0.4M	1,872
Number of First Payments (3-yr. is annual avg.)	8.0M	9.9M	1.8M	2.8M	1.3M%	2,286	0.3M	320	0.4M	1,151
Number of Initial Claims (3-yr. is annual avg.)	17.4M	21.0M	4.7M	6.3M	2.8M	3,162	0.6M	451	0.8M	1,155
Average Duration of Benefits (weeks)	14.1	13.9	^	^	18.6	9.5	^	^	^	^
Exhaustion Rate	34.3%	34.1%	^	^	56.0%	10.4%	^	^	^	^
GPRA PERFORMANCE										
UI Reciprocity Rate	40.0%	44.6%	39.7%	45.7%	74.9%	23.0%	87.1%	16.3%	79.8%	21.2%
Wage Replacement Ratio (BAM)	46.4%	46.5%	47.0%	46.1%	57.6%	31.6%	55.8%	34.2%	61.6%	33.1%
% UI Claimants Registered with ES (BAM)	61.5%	63.8%	60.9%	71.5%	100.0%	12.1%	100.0%	5.6%	100.0%	9.4%
OTHER IMPORTANT MEASURES OF PERFORMANCE										
% of Contributory Employers Filing Reports Timely	86.3%	86.7%	83.0%	87.7%	99.5%	66.1%	99.1%	55.4%	99.3%	68.5%
Cont. Claims Payment Timeliness, Intra, 21 days	93.4%	93.2%	93.6%	92.8%	99.5%	65.4%	99.6%	82.6%	99.6%	63.5%
BAM Overpayment Rate	8.5%	8.1%	8.9%	7.0%	22.4%	2.0%	34.6%	2.9%	26.6%	0.1%
Fraud Overpayment Recovery Rate	55.9%	59.1%	51.0%	50.9%	117.8%	23.2%	^	^	^	^
Nonfraud Overpayment Recovery Rate	55.6%	54.2%	55.7%	50.0%	104.4%	19.6%	^	^	^	^
% of Amounts Due that were Paid Timely	90.8%	91.2%	87.2%	86.4%	98.4%	67.9%	98.8%	39.3%	98.7%	48.5%
% of Accounts Receivable at end of report period	3.0%	3.2%	^	^	20.8%	0.6%	^	^	^	^
% of Change in total wages resulting from audit	4.0%	4.6%	4.0%	5.7%	15.8%	0.0%	43.9%	0.0%	16.4%	0.2%
% of Contributory employers who are audited	1.7%	1.9%	^	^	3.6%	0.0%	^	^	^	^
% of Total wages audited (annualized)	1.3%	1.1%	1.2%	0.9%	3.7%	0.0%	4.1%	0.0%	3.7%	0.1%
UI and the WORKFORCE DEVELOPMENT SYSTEM										
% of UI claimants receiving referrals from ES (BAM)	14.4%	13.4%	15.7%	13.5%	52.5%	1.0%	59.3%	0.5%	56.8%	0.9%
% of UI claimants in Training (BAM)	4.7%	4.3%	5.3%	5.1%	8.9%	1.7%	17.2%	0.8%	11.1%	0.8%
Claimants profiled as % of ICs	41.8%	41.9%	34.7%	40.0%	129.7%	10.5%	74.6%	8.1%	226.7%	12.1%
Claimants pooled as % of those profiled	39.4%	43.0%	40.5%	43.8%	98.7%	0.5%	98.5%	2.3%	98.9%	1.9%
Claimants referred to services as % of pooled	34.2%	30.4%	33.3%	26.2%	95.2%	2.4%	99.4%	4.8%	100.0%	0.1%

* Data not available

^ Measure is calculated on a yearly basis only

QUARTERLY MANAGEMENT REPORT

CHART II

Report Period: October 1, 2001 to December 31, 2001

Rundate: March 18, 2001

TIER 1 MEASURES	CRITERION	NATIONAL AGGREGATE				STATE PERFORMANCE					
		3-Yr	1-Yr	Qtr Prev Yr	Curr Qtr	Qtr Previous Year			Current Quarter		
						High	Low	Fail	High	Low	Fail
FIRST PAYMENT TIMELINESS											
1st Pays in 14/21 Days (combined)	90%	89.1%	89.0%	91.3%	88.2%	98.4%	82.4%	14	97.6%	37.0%	20
1st Pays in 14/21 Days (intrastate)	87%	89.8%	89.7%	91.8%	88.9%	101.4%	82.5%	5	98.7%	43.5%	9
1st Pays in 14/21 Days (interstate)	70%	80.0%	80.3%	83.7%	78.7%	95.7%	25.0%	2	95.8%	29.6%	6
1st Pays in 35 Days (combined)	95%	97.1%	97.2%	97.5%	97.2%	99.9%	91.9%	2	99.9%	80.7%	7
1st Pays in 35 Days (intrastate)	93%	97.3%	97.4%	97.6%	97.3%	99.9%	91.1%	2	99.9%	82.8%	1
1st Pays in 35 Days (interstate)	78%	93.6%	93.9%	94.9%	94.0%	99.2%	81.0%	1	100.0%	66.2%	2
NONMONETARY DETERMINATIONS											
Separation Determinations within 21 Days	80%	69.7%	67.8%	72.9%	67.5%	98.4%	30.2%	31	98.3%	18.2%	33
Nonseparation Determinations within 14 Days	80%	64.3%	63.9%	65.2%	64.0%	93.2%	25.3%	43	93.8%	26.8%	38
Nonmon Determ scoring > 80 pts	75%	70.9%	71.2%	71.1%	71.1%	95.1%	20.8%	25	95.4%	35.5%	29
LOWER AUTHORITY APPEALS											
LAA decisions within 30 days	60%	65.9%	56.5%	64.3%	49.1%	100.0%	2.3%	12	99.9%	3.1%	27
LAA decisions within 45 days	80%	84.2%	78.8%	83.9%	73.3%	100.0%	7.0%	7	99.9%	8.4%	22
LAA decisions within 90 days	95%	96.1%	95.5%	95.7%	94.9%	100.0%	35.7%	8	100.0%	32.6%	13
LA benefit appeals with combined scores > 85%	80%	94.4%	95.0%	95.3%	95.6%	100.0%	65.0%	2	100.0%	75.0%	1
HIGHER AUTHORITY APPEALS											
HAA decisions within 45 days	50%	68.4%	68.5%	67.3%	66.0%	98.9%	6.6%	4	99.4%	16.4%	7
HAA decisions within 75 days	80%	89.7%	88.2%	90.1%	84.6%	100.0%	62.3%	2	100.0%	21.7%	6
HAA decisions within 150 days	95%	98.3%	98.1%	98.8%	98.4%	100.0%	94.8%	1	100.0%	90.6%	2
NEW STATUS DETERMINATIONS											
New status determinations made within 90 days	60%	78.6%	78.5%	82.6%	80.0%	94.3%	58.0%	2	96.0%	57.0%	1
New status determinations made within 180 days	80%	88.7%	89.0%	91.4%	90.3%	98.4%	71.3%	2	98.8%	77.0%	3
TIMELINESS OF TRANSFERS FROM CA TO TF											
# Days of transfer from clearing account to trust fund	<= 2 days	2.3	2.3	2.3	2.6	12.3	0.0	18	22.5	0.0	22
Annual ratio	<=1.75	2.00	2.08	2.05	2.10	15.47	-2.18	19	29.33	-0.41	18

* Data not available

^ Measure is calculated on a yearly basis only